

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

MACY'S, INC. AND MACYS.COM,	)	Case No. 11-06198-SC
INC.,	)	
	)	ORDER GRANTING MOTION TO SET
Plaintiffs,	)	ASIDE DEFAULT AND DENYING
	)	<u>MOTION FOR DEFAULT JUDGMENT</u>
v.	)	
	)	
STRATEGIC MARKS, LLC,	)	
	)	
Defendant.	)	

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**I. INTRODUCTION**

Plaintiffs Macy's, Inc. and Macys.com, Inc. (collectively, "Macy's") bring this action for trademark infringement, false designation of origin, dilution, and unfair competition against Defendant Strategic Marks, LLC ("Strategic Marks"). ECF No. 1-2 ("Compl."). On February 28, 2012, the Clerk of the Court entered default against Strategic Marks. ECF No. 19. Strategic Marks subsequently filed an Answer and a Counterclaim. ECF No. 23. Macy's now moves for default judgment and Strategic Marks moves to set aside the entry of default. ECF Nos. 20 ("Mot. for DJ"), 24 ("Mot. to Set Aside"). The motions are fully briefed. ECF Nos. 26 ("Opp'n to Mot. for DJ"), 28 ("Reply ISO Mot. for DJ"), 29 ("Opp'n to Mot. to Set Aside"), 33 ("Reply ISO Mot. to Set Aside"). The Court finds these motions appropriate for resolution without oral

argument. As detailed below, the Court GRANTS Strategic Marks's Motion to Set Aside Default and DENIES Macy's Motion for Default Judgment as moot.

## II. BACKGROUND

Macy's filed the instant action in federal court on December 9, 2011. Macy's alleges that Strategic Marks willfully and unlawfully infringed a number of its "world famous marks," including "Jordan Marsh"; "Bullock's"; "Filene's"; "Abraham & Straus," aka "A&S"; "The Broadway"; and "The Bon Marché." Compl. ¶¶ 2-3.

On December 20, 2011, the Summons and Complaint in this action were personally served on Ellia Kassoff ("Kassoff"), Strategic Marks's principal and registered agent for service. ECF No. 13. Frank Harrigan ("Harrigan"), the process server for Macy's, declares that service took place at 25 Ridgeview, Irvine, California ("25 Ridgeview"), a residence that is registered as Strategic Marks's address for service of process. ECF No. 31 ("Harrigan Decl.") ¶ 2. As Harrigan approached the residence, he identified a man who matched a photograph of Kassoff sitting at a desk inside. Id. Harrigan got the man's attention through a window and told him that he had a summons and complaint for Kassoff. Id. The man then walked out of the room and refused to answer the door. Id. Harrigan left the papers on the ground, in front of the door. Id.

On January 10, 2012, Kassoff contacted counsel for Macy's, Christopher S. Walters ("Walters"), denying that he had been properly served but stating that he had received a copy of the

1 complaint through other sources. ECF No. 30 ("Walters Decl.") ¶ 4.  
2 A week later, Macy's sent additional copies of the Summons and  
3 Complaint to Kassoff by email, UPS, and U.S. mail. Id. Kassoff  
4 continued to maintain that service was not proper. Id.

5       Thereafter, Macy's arranged to personally serve Kassoff for a  
6 second time. Harrigan Decl. ¶ 5. On January 24, 2012, Harrigan  
7 returned to 25 Ridgeview, where he observed the same man he had  
8 previously served walking out of the residence. Id. Harrigan  
9 approached the man and said: "Hey, Mr. Kassoff, I have these  
10 documents for you, a summons and complaint." Id. When the man  
11 denied he was Kassoff, Harrigan showed him a photograph of Kassoff  
12 and said that he obviously was. Id. The man then ran away. Id.  
13 Harrigan left the service paperwork at the front door of 25  
14 Ridgeview. Id.

15       On January 26, 2012, Walters notified Kassoff via email, U.S.  
16 Mail, and UPS that Macy's would move for default if an answer was  
17 not filed on or before February 14, 2012, but that Macy's remained  
18 willing to discuss reasonable extensions of time to respond to the  
19 Complaint. Walters Decl. ¶ 6, Ex. D. Copies of the Summons and  
20 Complaint were again attached to the correspondence. Id.

21       On February 15, 2012, Macy's inquired whether Strategic Marks  
22 intended to file an answer, but heard no response. Id. ¶ 8. On  
23 February 24, 2012, Macy's inquired again, warning that it would be  
24 filing a request for entry of default soon. Id. On February 27,  
25 2012, Macy's filed such a request, and the clerk entered default  
26 two days later. ECF Nos. 18, 19. On March 6, 2012, Macy's filed  
27 its Motion for Default Judgment. On March 28, 2012, Strategic  
28 Marks filed its Answer along with its Counterclaim and, about one

1 week later, Strategic Marks also filed its Motion to Set Aside  
2 Default. ECF No. 23.

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4 **III. DISCUSSION**

5 Under Federal Rule of Civil Procedure 55(c), a court "may set  
6 aside an entry of default for good cause." In determining whether  
7 good cause exists, a court considers (1) whether the party's  
8 culpable conduct led to the default; (2) whether the party has a  
9 meritorious defense; and (3) whether reopening the case would  
10 prejudice the opposing party. TCI Grp. Life Ins. Plan v. Knoebber,  
11 244 F.3d 691, 696 (9th Cir. 2001). Because these factors are  
12 "disjunctive," a court is "free to deny the motion if any of the  
13 three factors [is] true." Am. Ass'n of Naturopathic Physicians v.  
14 Hayhurst, 227 F.3d 1104, 1108 (9th Cir. 2000). The Court's  
15 discretion to set aside a default is "especially broad," Mendoza v.  
16 Wight Vineyard Mgmt., 783 F.2d 941, 945 (9th Cir. 1986), as  
17 "judgment by default is a drastic step appropriate only in extreme  
18 circumstances; a case should, whenever possible, be decided on the  
19 merits." Falk v. Allen, 739 F.2d 461, 463 (9th Cir. 1984).

20 The Court finds that Strategic Marks's actions do not rise to  
21 the level of culpable conduct sufficient to justify leaving the  
22 default in place. The evidence before the Court shows that  
23 Strategic Marks was properly served on December 20, 2011 and that  
24 it failed to respond to Macy's Complaint within the statutory  
25 period. Rather than formulating a timely response to the Complaint  
26 or negotiating an extension of the response deadline, Strategic  
27 Marks's agent, Kassoff, refused to recognize proper service. While  
28 the Court does not condone Strategic Mark's conduct, it finds that,

1 in light of the fact that Strategic Marks did file its Answer soon  
2 after default was entered, its neglect is excusable. See Fed. R.  
3 Civ. P. 60(b).

4 The Court also finds that Strategic Marks may have a  
5 meritorious defense to Macy's action. The party seeking to set  
6 aside a default must establish a defense that might make the result  
7 at trial different than that reached by default. Hawaii  
8 Carpenters' Trust Funds v. Stone, 794 F.2d 508, 513 (9th Cir.  
9 1986). "[T]rial courts are permitted a great deal of latitude in  
10 exercising their discretion as to what constitutes a showing of  
11 meritorious defense." Barclay Transp. v. Land O'Lakes, Inc., No.  
12 CIV.A 1:07-CV-02065, 2008 WL 4491932, at \*4 (M.D. Pa. Sept. 30,  
13 2008) (quoting Trueblood v. Grayson Shops of Tennessee, Inc., 32  
14 F.R.D. 190, 196 (E.D. Va. 1963)). Here, Strategic Marks has filed  
15 an Answer that denies a number of Macy's key allegations and  
16 asserts thirteen affirmative defenses. The allegations in the  
17 Answer are sufficient to raise the possibility that Strategic Marks  
18 has a meritorious defense in this action. Macy's attacks Strategic  
19 Marks's affirmative defense that Macy's has abandoned the marks at  
20 issue in this case, arguing that this defense is inconsistent with  
21 other claims made by Strategic Marks in the past. Opp'n to Mot. to  
22 Set Aside at 8. Even if this were true, Macy's does not address  
23 the various other affirmative defenses raised by Strategic Marks or  
24 the various denials also set forth in its Answer.

25 Finally, Macy's will not be prejudiced by setting aside the  
26 entry of default. "There is no prejudice to plaintiff where the  
27 setting aside of the default has done no harm to plaintiff except  
28 to require it to prove its case." Lacy v. Sitel Corp., 227 F.3d

1 290, 293 (5th Cir. 2000) (internal quotations and citations  
2 omitted). Such is the case here. The only prejudice that Macy's  
3 can point to is a delay in its request for a preliminary  
4 injunction.<sup>1</sup> See Opp'n to Mot. to Set Aside at 7. Such a delay  
5 is insufficient to justify leaving the default in place.

6 In sum, the Court finds that the drastic step of default  
7 judgment is inappropriate in this case. Since default was entered,  
8 Strategic Marks has filed an Answer and a Counterclaim. In other  
9 words, Strategic Marks now stands ready to litigate this matter.  
10 Accordingly, setting aside the default is consistent with "the  
11 strong policy underlying the Federal Rules of Civil Procedure  
12 favoring decisions on the merits." See Eitel v. McCool, 782 F.2d  
13 1470, 1471-72 (9th Cir. 1986).

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26 <sup>1</sup> Macy's also argues that, if the Court sets aside the entry of  
27 default, Strategic Marks should compensate Macy's for this  
28 prejudice by "pay[ing] all unnecessary costs and fees Macy's has  
expended as a result of [Strategic Mark]'s actions." Opp'n to Mot.  
to Set Aside at 8. Macy's offers no authority in support of its  
request. Accordingly, the request is DENIED.

1 **IV. CONCLUSION**

2 For the reasons set forth above, the Court GRANTS Strategic  
3 Marks's Motion to Set Aside Default and, accordingly, sets aside  
4 the Clerk's entry of default. The Court also DENIES Macy's Motion  
5 for Default Judgment as moot. The trial in this matter is hereby  
6 set for June 18, 2012 and the pre-trial conference is set for June  
7 8, 2012.

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9 IT IS SO ORDERED.

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11 Dated: April 26, 2012

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14 UNITED STATES DISTRICT JUDGE  
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